

Japan originally employed both gold and silver money, but was driven to the silver standard when the restoration of specie payments was attempted in 1882 and suffered inconvenience by the great difference of exchange with gold-using countries. There was serious discussion of the currency problem and some agitation in favor of the gold standard. A commission was appointed in September, 1893,<sup>1</sup> to consider the existing state of the currency and the best standard for Japanese interests. The result of their deliberations did not prove harmonious and only individual reports were first submitted to the government. The theory that a high premium on specie stimulates exportations, and that its disappearance removes this stimulus, was not verified in the case of Japan. Exports steadily increased, in spite of the rise in value of the paper money ; but this phenomenon is partially explained by the fact that the rise of paper in relation to silver was neutralized by the fall of silver in relation to gold, which left the paper money in something like its old relation to the gold standard of other countries.<sup>1</sup>

The war indemnity paid by China under the treaty of Shimoneseki (April 17, 1895) afforded a means to Japan, as the French indemnity had to Germany in 1870, of establishing the gold standard without imposing serious financial burdens on the country. It was proposed by the Japanese government that the amount of this indemnity, fixed originally at 200,000,000 Kuping taels, should be converted " into English money at the rate of exchange equal to the average ratio of the price of silver bullion to that of gold bullion in the London market during the three months previous to the day the method of payment of the war indemnity is agreed

<sup>1</sup> The effect of the silver standard in Japan, according to the observation of Mr. Soyeda, who is in the best position to know the facts, was to raise domestic prices as well as to increase the burden of gold obligations expressed in the silver standard. He says : "The prices of exportable goods, such as rice, the chief article of food, have risen a great deal. Thus the effect of the depreciation was felt not only in the external trade, but also in the internal transactions.\*\*  
—Economic Journal, Dec., 1894, IV., 732.